

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **201919018**
Release Date: 5/10/2019

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: February 12, 2019

LEGEND:
b dollars = amount
c = number
D = association

UIL:
4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code Section 117(b)).

Description of your request

You will operate a program providing scholarships to the children and grandchildren of members of D. You expect to provide c scholarships of b dollars.

The specific criteria you use to determine who is eligible for your program are:

1. Children or grandchildren of D members. Members must have maintained their relationship with D continuously for at least three years. Members must be current with respect to dues.

2. Applicants must have applied to at least one accredited two or four-year college, or are currently enrolled in college to be considered. Evidence of application is required.
3. Applicants must submit all materials to you by the deadline date on or before April 1.
4. All scholarship awards will be paid directly to the applicant.

Individuals meeting the above criteria must submit an application meeting the following specifications:

1. Applicants must submit a high/college school transcript.
2. Applicants must submit a photocopy of their ACT or SAT scores. Applicants with scores in the 80th percentile or above will receive preference.
3. Applicant must submit three letters of recommendations. Sources for the recommendation letters are:
 - a) high or college school teacher,
 - b) member of applicant's general community,
 - c) source of applicant's choice.
4. Applicants must submit a 250 - 300 word essay describing achievement goals they have for their college experience. The essay should also briefly describe career goals. Subject of essay is non-specific, to give applicant the opportunity to express his/her creativity.
5. Applicants are encouraged to include any community involvement and extra-curricular activity.

A scholarship committee to select winners will consist of three members from your board of directors. Winning applicants will be notified of the amount of scholarship by mail.

Scholarships are advertised in the membership newsletter, and copies of the application and announcement materials can be found on your website. Relatives of members of your selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under your program.

You will maintain case histories showing recipient names and addresses, purpose of award, amount, and manner of selection. All successful candidates must provide verification of their expenditures within 180 days of receiving their scholarship. The scholarship committee will evaluate and confirm whether funds have been used appropriately and specifically for educational purposes. Should the recipient fail to provide verification of expenses and/or if the committee deems funds were misused, the recipient and/or the sponsoring parent or grandparent will be responsible to reimburse those funds within thirty days of such notification.

You represent that you will complete the following:

1. Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded.

2. Investigate diversion of funds from their intended purposes.
3. Take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes.
4. Withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You represent that you will maintain all records related to the following:

1. Individual grants including information to evaluate grantees.
2. Grantees which are identified as a disqualified person.
3. How the amount and purpose of each grant was established.
4. How you established supervision and investigation of grants described above.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all the following requirements of Code Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code Section 117(a).
- The grant is to be used for study at an educational organization described in Code Section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.

- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements